ETHNIC ENTREPRENEURSHIP, SOCIAL NETWORKS, 
AND THE ENCLAVE

Janet W. Salaff  
(University of Toronto)  

Arent Greve  
(Norwegian School of Economics and Business Administration)  

Siu-Lun Wong  
(University of Hong Kong)  

Lynn Xu Li Ping  
(University of Toronto)  

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Abstract

It is said that immigrants turn to entrepreneurship when, frustrated in their goals to join the mainstream society, they can find a protected niche in the ethnic enclave. While many stress the social solidarity behind entrepreneurship, few have traced the process by which they turn to entrepreneurship. Our study of 100 new immigrants from the People’s Republic of China to Canada, (50 married couples) includes 15 that tried self employment. We study how they draw on the enclave for social capital at different stages of building a business. We argue that the enclave resides in social networks, and we find that immigrants depend on social networks to establish businesses.

Introduction

“It is like a circle, using business to build social networks and using social networks to build up business.” (Mei Chang, new immigrant entrepreneur)

It is said that immigrants turn to entrepreneurship when, blocked from the mainstream, they can find a protected niche in the ethnic enclave. Canadian employers do not recognize the credentials of immigrant professional and technical workers. As a result, many turn to self employment. This paper studies entrepreneurship by a number of former professional and skilled new immigrants from China. We discuss the dynamics of starting a business in relation to the coethnic community. The data base for our paper is our ethnographic study of 50 immigrant PRC couples that “landed” in Canada from 1996 to 2001. To date, 15 have tried self employment. While several scholars have researched the processes of immigrant business start ups, most describe densely networked ethnic communities. In contrast, these PRC newcomers are not embedded in the mainstream society, moreover, they lack roots in their coethnic communities. Nor are they part of a chain of people that arrive together. As pioneer immigrants, they consciously develop and build relations, on which their business efforts rest. Yet their connections are resource poor. We can learn much about the evolution of community and entrepreneurship from further study of PRC immigrants. They are human capital-rich, but social relationship-poor.

Our study of the conditions that underlie immigrant business as a social process looks at the networks in which ethnic businesses are embodied. We start by outlining the social network
approach to business start up, then discuss some of the features of ethnic businesses that draw on the enclave. We comment on Chinese immigration waves into Toronto. Part II describes our methods and our study sample. In Part III, we analyse the business start-ups of those of the respondents that became entrepreneurs. We note how they actively develop ethnic community ties and in a variety of ways use these to build businesses.

**Theoretical background**

**The social network approach**

We have long realized that people draw on their social relations to support business start ups (Aldrich, 1999). Focusing on social networks turns attention to relationships between entrepreneurs and others that deliver resources important in establishing a business (Johannisson, 1988; Larson, 1991).

Entrepreneurs combine information from many sources to start businesses. They start with ideas to test, and knowledge and competence to run the business. But they also need complementary resources to produce and deliver their goods or services (Teece, 1987). Other people help them raise money, invent technology, locate materials, get training, hire workers, find markets, and shape the product to fit their clients’ needs. These helpful resources come from a person’s social network (Gabbay & Leenders, 1999). Entrepreneurs are also linked to people and organizations that themselves interact. These contacts widen access to resources that sustain a new firm (Hansen, 1995).

Social networks make social capital available to help newcomers start businesses (Aldrich, 1999). By social capital is meant the interpersonal resources people have that help them achieve their goals (Coleman, 1988). Many forms of relations give rise to social capital.

Social networks are not fixed; they are the social context of businesses and can be activated according to different needs (Granovetter, 1985; Burt, 1992). Social relations become social capital in several ways. To fit their enterprise needs, entrepreneurs bring those they know into their business decisions. New entrepreneurs often have families that were in business (Greve & Salaff, 2002; Min, 1988; Wong, 1988; Zimmer & Aldrich, 1986). As they entertain, plan for, and actually set up a firm, entrepreneurs call on their family and others in their networks for different kinds of help and support (Rosenblatt, et al., 1985).
Past what individuals generate themselves, the community itself may be rich in associations, or in business opportunities (Light, et al., 1999; Putnam, 1993; Wellman & Frank, 2001). Associations of individuals generate business linkages that help turn people into entrepreneurs. Those that share networks recognize each other as familiar. They can place each other. When people know each other, or know about each other, interpersonal trust and understanding is generated. The trust embodied in social capital is important in business start-ups.

The structure of social networks figure in access to social capital, and the amounts of resources people can get. Most social relations involve more than one type of activity. Each tie has other ties, which can be considered a separate network. A relation that has two or more types of ties is called a multiplex network. These are particularly useful in starting a business, because they bring more people into the helping relationship. Those they know in one context may help in another. Friends of friends may cooperate in starting a business.

Another way of looking at multiplexity is through indirect ties. Links to others mirror one’s position in a network, giving status and credibility (Lai, et al., 1998). Associations of individuals in the community further generate trust (Putnam, 1993). More generally, one’s social standing sends signals to others of the same background, providing confidence (Bourdieu, 1986). Those that are already in established networks get easier access to others that recognize these networks. They are in a good position to set up a business. In contrast, those that are outside known social networks have more trouble establishing a firm. New immigrants frequently turn to entrepreneurship because they are not established in mainstream employer or employee networks. They then try to mobilize their ethnic networks for support.

Business people expand their networks through systems of relations. These relations are to other firms as well as individuals. Links to other enterprises are called value chains (Burt & Talmud, 1993). Value chains include suppliers, clients, and sources of labour as a subset of the firms’ networks. These are inputs. The output side refers to where they distribute their finished goods. Many firms have mainly input or output flows that originate within particular communities or niches. These value-chains are particularly important in the ethnic enclave.
**Ethnic business and social capital**

Businesses are not isolated units. They grow from links to others. Entrepreneurs need social relations that support the establishment of businesses (Zimmer & Aldrich, 1986; Granovetter, 1985; Light, 1972). Ethnic entrepreneurs need to develop socially meaningful relationships with the ethnic community in order to start a business.

To start a business, ethnic entrepreneurs draw on coethnics to help them, but these ties are not given. They have to activate their networks for them to become social capital. People come to recognize each other as part of the same ethnic group by defining them as belonging. Belongers are characterized situationally, and definitions may be narrowly or broadly defined, depending on circumstances. The innermost circle includes those from the same defined space and time. Those that leave and arrive from the same location at a similar time often share biographies (Bertaux, 1997; Bertaux-Wiame, 1981; Salaff, 2000). Shared cultural indicators include language and religion. Identifying features may embrace physiology and demeanour. Dress, food and other familiar consumer items become cultural markers. People draw on such indicators to define others as culturally similar.

Culture needs to be maintained to be recognized. Those that had once a common background but have not kept up ties may not later on recognize others as close. Many Chinese that seem similar to outsiders do not themselves feel that they share a common background that warrants ongoing ties. This lessens the range of others with whom new immigrants can exchange support.

In other words, people recognize as familiar coethnics those that share networks. The enclave economy is part of a social structure of families, neighbours, friends, and acquaintances. Apart from these direct ties, ethnic members are embedded in several other networks that have a common ethnicity. Ethnicity signifies clusters of relationships that embed members in a culture. They not only have associates in common; they are joined together indirectly through third parties. People that know the same people often share perspectives and resources and feel they are similar. These networks may be rooted in social ties back home. Or, networks may be created anew in a foreign land by those of colour, excluded from mainstream entrepreneurial networks. By banding together, they create ties useful for future entrepreneurs (Light, 1992, Logan, et al., 1994). People are most likely to locate suppliers, clients, workers, and capital for enclave firms
through multiplex, embedded relationships. These social factors are part of the institutional framework behind enclave entrepreneurship.

Ethnic entrepreneurs mobilize social capital through ethnic social networks. Entrepreneurs from the same ethnic group will get easier access to business networks in the enclave than will outsiders. They will be in an advantageous position to exploit ethnic networks. Those that are established in ethnic networks can do best. New immigrants must first gain recognition, but they may have trouble integrating themselves into existing ethnic networks. They may not be recognized as similar to the established immigrants in some important cultural traits.

A business that depends on ethnic relations establishes value chains within the ethnic community. They will need to have input or output flows that mainly originate within the enclave or the sending country. For instance, ethnic clients seek special cultural products. Employees with inside language abilities and other cultural traits are in demand in such ethnic businesses. Non-ethnic clients may recognize ethnic products from symbolics, as in the name, product, or location (Fong, et al., 2001). They may look for these products by following through the firm’s value chains. In a chain of ethnic firms, the entrepreneur may attract other ethnic firms.

Location is one means to find coethnics. Ethnic business enclaves are best located where they can take advantage of a large coethnic population to become self employed (Bates, 1994; Bonacich 1973; Min, 1988; Park, 1990; Waldinger, 1994; Zhou, 1992). They expand their contacts and share information relatively easily in a concentrated space. An established business community of earlier immigrants sends signals to newcomers, indirectly promoting entrepreneurship. Light and Bonacich (1988) refer to this signalling as ethnic facilitation. The Chinese that are concentrated in large communities in New York and Los Angeles have a greater likelihood of being self employed than Chinese in the United States overall (Portes & Zhou, 1999:157).

It is easier for people to exchange dense business information if they are concentrated in enclaves. By finding out new events quickly, coethnic employers and employees reduce risks associated with investment (Waldinger, 1996: 255; Min, 1988: 74). Next, business people find a protected market in enclaves. The opportunities that the enclave opens for small businesses further lie in matching. Producers look to the enclave for the employees they need, and employees look there for bosses to work for (Light, et al., 1999).
Nevertheless, although some believe that the enterprise can signal its ethnicity chiefly in delimited areas, so long as people can identify one another and interact, they need not be in one place (Hum, 2001). There are a variety of ways for businesses to become visible (Fong, et al., 2001). Chinese entrepreneurs in suburban Toronto live in widely scattered communities, some Chinese, others mixed, and not necessarily where they work. People form identities by mingling in ethnic stores, community centres, neighbourhoods, and churches (Bonus, 2000; Kuah & Wong, 2001). Applying the network metaphor implies that people with direct, indirect or multiplex links to others need not locate in a specific place to get in contact.

**Characteristics of the Ethnic Business**

Ethnic subcultures typically give rise to complex economic relations. Proprietors use the norms of the ethnic culture to run the business. The employer/employee bond is culturally based. Since culture is a taken for granted framework, jobs are often governed by particularistic rules that everyone knows. The hiring contract, the code of conduct, and how the place is run are based on culture. Owners hire or work with those with whom they have real or symbolic ties. They limit business access to those with the coveted ethnic background. Down playing social class interest, employers plead that departing from statutory protection helps all parties.

The emphasis on culture in the enclave often helps immigrants transfer knowledge that the market does not recognize (Hum, 2001). This is behind some immigrant businesses. A doctor trained in China cannot use her credentials in Canada. She may apply her skills in the allied trades of massage and acupuncture, as recognized by customers or colleagues.

Enclave theorists believe those congregating in the enclave share cultural codes and expand trust. Business people are often likely to help others start up as they were themselves helped (Min, 1988). These helping features become part of the definition of enclave life. Enclave members proudly maintain that “we are the kind of people that help each other.”

Mutuality goes a long way, because most start up businesses are small, easy to enter, run and exit. They are the last minute work of those with few choices. Small businesses that do not require human capital, large investments, employees, or a wider organizational context, depend on their social contacts. Mutuality also works when people draw on multiplex social networks that can enforce reciprocity.
We expect a high proportion of coethnics to work together. Nearly three-fifths of Chinese respondents in a Los Angeles study worked with coethnic supervisors or coworkers (Hum, 2001:80-3).

We should not overdefine the construct of ethnic business. By seeing the firm as embedded in value chains, we can readily understand that not all features of the ethnic business need to be present in any one firm. Ethnic firms may hire other ethnic members, but the product, clients, or the location are not ethnic. Korean corner stores, Somalian parking lot attendants, Sikh airport cab drivers, Portuguese construction workers are local Toronto examples (Anderson & Higgs. 1978; Li, 1993). Firms may also hire non-ethnics for speciality tasks.

Furthermore, the ethnic community may occur outside a physical community. Nor does the ethnic constituency have a monopoly over business related networks. One study finds no differences in the use of social networks by ethnic and non-ethnic entrepreneurs (Zimmer & Aldrich, 1987). Nor is physical concentration required to build social networks. Social networks can be dispersed, and help can still flow through them (Aldrich & Reiss, 1976; Waldinger, et al., 1990). By limiting the community to set locations, the notion of the enclave itself freezes the networking processes that we wish to make visible. As long as the enclave is rooted in the notion of “community found,” as the basis of its personal support, its conceptual strength is masked (Wellman, 1999).

There is a downside to the enclave business. Critics retort that cultural arrangements relegate similarly poorly placed people without bargaining power to a narrow competitive arena. Drawing on enclave members means exploiting them. Fault-finders assert that culture disguises economic power. Invoking culture and non-standard rules may be exploitative (Nee & Sanders,1987). The concept of the “eth-class” critiques the ethnic enclave concept that culture is classless (Gordon, 1964; Fong, 2001:324-5). Hiring employees outside the labour code gives workers a short term advantage, but not legal protection (Kwong, 1987).

To summarize our main research questions, networks theorists describe the functions of social networks and social capital in starting businesses. Enclave theory alerts us to how networks structure ethnic job pools. They suggest that new entrepreneurs can best seek help to start a firm when they are part of dense networks. We argue that the enclave be better seen as social networks, with direct and indirect social capital can shape the ways new immigrants start businesses. The
different ways a number of new immigrants use social networks to start businesses gives us a new
glimpse into immigrant businesses.

**PRC Immigration to Canada**

Migration creates momentum. Migrants rely on help from others that precede them. As
migrants pass along their actual experiences, people that know others that have bettered their
opportunities abroad follow suit. They form networks of people that know each other. These emi-
grant chains become a source of new immigrants’ social capital (Boyd, 1989; Salaff, et al., 1999;
Yoon, 1993).

But not all migrants are part of dense networks. Chinese do not form a single Diaspora.
Torontonian Chinese do not form a single enclave (Lo, et al., 2001; Lo & Wang, 1997). As renters,
they live in half a dozen mainly Chinese settlements, and in many other mixed immigrant neigh-
bourhoods. They settle with others with similar incomes, time of arrival and origin. As buyers,
they begin to fill Chinese neighbourhoods (Myles & Hou, 2002). But these still do not necessarily
feel that they are the same Chinese.

Before the First World War, the labouring Chinese that entered North America, worked in
construction or on farms. Smaller numbers of the better off arrived for schooling and business.
These two main flows were halted by discriminatory immigration policies, the Pacific War, and
the break in relations between the People’s Republic of China and the United States. More recent
flows of Chinese from Hong Kong and Taiwan started new settlements.

The current influx of educated Chinese resumes earlier migrant streams. In the 1980s it was
easier for Mainland students to study abroad. In the wake of the Tiananmen incident, many
applied for refugee status in the United States and Canada. Although they were not themselves an
immigrant chain, and their entry did not continue, they anticipate the current flow (Li, 2000). In
the mid 1990s, China relaxed the pass system, while in turn Canada permitted PRC citizens to
immigrate as skilled workers. Large numbers of urban PRC residents, colloquially known as
“independents” applied to immigrate to Canada.

Typical legal immigrants from China are urban educated with college degrees (Liang,
2000). They themselves come from different cities and backgrounds. They join Chinese that set-
tled in Toronto from different places and at different times (Benton & Gomez, 2000; Kwong,
Many find that PRC immigrants do not share a common identity with their Hong Kong brethren. Their language, education and upbringing are distinctive. They may live near by and shop at the same Chinese stores. But they do have the same social networks. They do not share the same social space.

While Hong Kong Chinese may extend PRC professionals a place in their firms as workers, it will take more time for them to take them in as partners. 1989 refugee seekers from China may help newly arrived brethren from China, but they have little to give.

As a result of these starts and stops in migration, newly arrived skilled professional workers from China are pioneers. They are not part of an immigrant flow, but they try to make up for it by searching for common ties. Forging their own paths, they rely little on established migration chains, although they may produce them. They may see entry to Canada as a defining event that unifies them, but may not provide enough social capital to support business start-ups (Wong,1988; Wong & Salaff, 1998). Can the newest PRC influx widen their social networks by connecting with earlier Chinese streams?

**Method and Sample**

To study these issues, we sought to talk with married couples from China that were still settling into Toronto. They had arrived within the previous few years. Mostly aged in their thirties or early forties they already had built careers in China and had considerable human capital. At this age each had at least one young child. We limit our study to “independent immigrants” married couples with dependents to support, because they had to get jobs quickly. Our interview project focuses on learning how they do so. This paper draws on 50 couples that we got to know and talked with several times, over a period of months or years.

We drew half the sample for our study from the rosters of a large NGO immigration agency in Toronto. The agency offers ESL classes and workshops on settlement and the job search to hundreds of new Cantonese and Mandarin speaking immigrants yearly from Hong Kong, Vietnam, and China. These respondents in turn introduced us to others they knew, which account for the rest of our sample.

We learned how these new immigrants find jobs and become entrepreneurs by means of structured interviews and participant observation. We gathered work and family histories in the
first semi-structured topical interview of around three hours. They reported how they went about reestablishing their careers in Canada. The subsequent information came from follow up calls and interviews several months up to two years later. We joined a job search workshop, and attended reunions. Dumpling (jiaotze) parties in which we shared our favourite stuffings and wrapped the dumplings, bickered barbecues, picnics, and other events eased our exchanges.

Having located those with whom we talk soon after they arrived, we trace their experiences over time. In the follow up, we have been able to learn whether they work as employees or have become entrepreneurs on their own. Most of those we talked with have received our topic well, and continue to share their experiences, hoping our research would help change others’ scenarios. Some, embarrassed at being down and out, were reluctant to have ongoing discussions. Others, trying to upgrade their skill, lacked the time to chat. For this paper, we have updated the information of over two-thirds of the respondents.

These immigrants embody considerable human capital, reflecting the considerations of Canadian immigration policy. Most graduated from University; many with M.A. and Ph.D. degrees. Some studied abroad and got degrees in other places than Canada, before they immigrated. The majority were in technical and professional fields, such as engineering and science. Some men had studied Chinese medicine, foreign languages, and other non-engineering fields. Wives were also engineers, as well as doctors, other scientists, accountants, language majors, and a few social scientists. Husbands were the main applicants in all but two cases.

It might be useful to consider the biases of this sample. These immigrants turned to the NGO agency for help developing their resume and job finding skills. The agency’s rosters are undoubtedly slanted towards those who have few contacts that can furnish them with job leads, suggesting limited social capital. Certainly those most frustrated in their job search had most reason to sign up for a workshop. While we do not claim that they represent the new PRC population in Toronto, this sample has the same general characteristics of age, education, and family structure. Further, this study helps us understand how immigrants establish themselves. They are a key group for us to learn how those with scant social capital face the task of setting up businesses of their own in a new land.
New Immigrant Entrepreneurship

Enterprises depend on social resources. To promote their business concept among suppliers and customers, entrepreneurs need to build and apply their social capital. They turn to their networks to get resources to start a firm (Aldrich, 1999). This is the challenge for new immigrants.

It is reasonable to assume that entrepreneurs start businesses within their professional fields. Further, we learned that many had been exposed to entrepreneurship in China. Their parents and siblings ran a business. Their school and work colleagues opened firms. They themselves drew on their dense connections to run their own enterprises in China. Most of their business start-ups were an offspring from earlier employment. They found a niche and filled it (Tseng & Jou, 2000; Larson, 1991, 1992; Salaff, et al., 2001).

However, lacking social capital in Canada none of those past entrepreneurs could carry over their PRC business experience to Canada. All those self employed we met are newcomers to business. They mainly started minimalistic businesses based on newly established social networks.

Anticipating entrepreneurship

Before their arrival, several entertained starting their own business in Canada. They thought they could link back to their former firms. They aimed to market Canadian products in their home town. Gong hoped to sell the finely knit silk carpets he designed with his own computer software in Canada. Hui and her husband worked in Hui’s family firm in China that produced chemicals; she expected to find commercial opportunities in Toronto.

But social connections are needed for business start-ups. Those trying to link back to their firms in China needed social capital on both sides of the seas (Tseng & Jou, 2000). These new professionals and technically trained workers, admitted to Canada in a wave of unconnected, independent immigrants, have no ready made networks. Their human and social capital is dynamically interrelated with complex organizations they left behind. Building a similar network in the new environment takes time. Although they have professionally based companies in China, they lack dense professional networks in Canada. They cannot re-establish businesses within their disciplines in the first few years of their entry to a new country. They cannot carry forward their relations and experiences to Canada, and do not establish new firms (Salaff, et al., 2001).
New immigrant entrepreneurs

The 15 that became self employed in Canada are business novices. They completely lacked past entrepreneurial exposure. They began business as a default.

Ten of the 15 remain in business today. Three had serial business undertakings. Two of the 10 conduct business simultaneously with paid employment. One third gave up doing business, although they may go into it later.

As a result, nearly all the enterprises they call their own fall outside their professions. Four became self employed as their first jobs. More got into business after dissatisfaction at the paid employment they got.

Mei and Chang’s example illustrates one trajectory from bad jobs to self employment. After Chang received a BS in Mechanical Engineering, he found work in the railway bureau in Cheng-chow first as a mechanical engineer and later as a sales person. Mei, his wife, was a paediatrician. The couple emigrated with their 10 year old daughter in a wave of immigrants from China, just starting to surge. As pioneers, neither realized their formal credentials would not be recognized in Ontario.

Through his ethnic contacts, Chang found a series of labour positions, none of which exploited his training and skills.
1. Chang drove a truck part time for a Chinese-owned moving company: “He only employs new immigrants. Even if it is only a labour job, at least you get a chance to survive.”
2. He operated heavy machines in a Chinese owned meat packing factory. When running two heavy machines at one time tired Chang, a fellow immigrant covered for him.
3. Chang cleaned buildings for a firm of Chinese coworkers. “They did not have a position, but they created one to help me.”
4. He laboured in a factory stitching Honda seat covers.
5. Most recently, he worked as unskilled clerical worker in a warehouse of a large Canadian office supply store. This mainstream job is not complex, but gives him security. Many coworkers are coethnics, “I need to make sure that I can have a future... I can become full-time in six months. The benefits are good and I will be protected (by the union). I won’t be fired when I am old.”
6. Chang volunteered for the landsmanshaften immigrant association, which helps newcomers.
Mei, a prominent paediatrician in China, had worked in the intensive care unit for newborn, headed a mother and child health program, and made regular television appearances on infant care. She began a new career in Canada by volunteering to assist the enclave. Here, her knowledge and cultural skills would be recognized.

1. She volunteered as translator for community medical journals, arranged through a contact associated with medical practitioners in China.

2. She volunteered as liaison between medical staff and Chinese clients in a community health clinic pregnancy education program. At the time the main Chinese immigrant language was Cantonese, and she was not kept on. She also did casual work in hospitals.

3. Next, she worked in the Canadian office supply warehouse with Chang.

4. Mei opened a rooming house for new immigrants in their family home, prompted by the example of a coethnic friend. Mei and Chang saw the natural fit between their volunteer work and hostel business. Volunteering in local agencies gave them a large network of friends that became their support when they turned to the venture. This enterprise drew on family labour and capital. Well off kin in China lent them the down payment for a four storey house. Their thirteen year old daughter spent her summer holiday answering phone calls and greeting guests. Guests post information about the hostel on their home page. Internet ads and articles in local Chinese papers draw clients. To help new arrivals, they bring a van to collect the travellers and luggage, house them, and provide a first breakfast of familiar rice congee. They pass on a detailed check list of what new immigrants should do to apply for a Social Insurance Number, bank account and provincial health card, and the kinds of documentation required. They give them transportation tokens and a city map. In the first few months, they received twenty guests from China. Student renters stay longer. “We believe we can be of some help to the new immigrants by owning a house.”

5. Mei also cares for an elderly Chinese suffering from dementia, in their hostel. The woman awoke to Mei’s massages, herbal medicines, and constant care as if from a coma.

6. Her most successful venture is as a self employed sales person for an American multilevel marketing company. Mei sells dietary supplements and household products as an executive coordinator. Her income comes from the membership fees of over 300 sales people she manages, all of whom are Asian immigrants. They market the products towards other Chinese
immigrants. Mei gave up the labourer job that did not make use of her skills to use her medical know how in this new business.

Husband and wife suffer from the non-transferability of their human capital. Barred from practising her profession, Mei turns towards the ethnic community, where her medical skills are valued informally. Cultural norms and trust surround her in this unregulated arena. Acknowledging he would not re-enter his profession, all Chang’s jobs flow through ethnic community members. Chang and Mei are committed in turn to helping others adjust to their new lives in Toronto. They introduce fellow Chinese to warehouse jobs, train them in the English needed for the interview, and show them the ropes. The hometown association helps solve new immigrants’ problems. They find a joint purpose in helping Chinese immigrants adjust to Canadian life. Chang and Mei’s economic opportunities thrive because of their community involvement. Mei commented, “It’s not that I’m making friends because I want to do business. It is because we are friends that I share business with them.”

The businesses they start

A key business motive is their lamentable earnings and frustration at work below their skill level. This is referred to as the status inconsistency hypothesis (Min, 1988). By working round the clock the corner grocer, Hong bettered his earnings over four earlier jobs. His MBA from a British institution gave him an advantage in starting a business in Toronto. With her skills unrecognized, Mei also applies her caring skills and business sense in her own enterprises. Some have young families to care for. Work on their own account lets them watch their children (Lu, 2001). Finally, several used self employment as a tax bracket, while working on contract as a professional, like many locals do.

In many ways, ethnic contacts enlarge employment avenues for new immigrants in Toronto. From getting the idea to getting capital, finding coworkers and customers, ethnic contacts expand employment avenues for new immigrants in Toronto. Mei’s businesses are typical of the majority. These include:

1. Micro entrepreneurs: These small businesses do not declare taxes. Two women ran hostels for new immigrants. Neither earn much.

2. Self employed as a tax bracket: 3 worked on commission, and others were training to do so. A sales person, financial advisor and computer programmer was on contract.
3. Owner of a corner store. An owner sold the store after a year for a profit, and is applying to open a sandwich shop in a mall.

4. Employees of the same multilevel marketing agency in which we find Mei. Other than Mei, 8 others also had stints as self employed sales people, our most numerous business participants.

**Getting the idea.** Most of the 15 entrepreneurs got into their businesses through advice from others they know. Watching others also gives them the idea. The hostel owners stayed in hostels themselves and got the notion of trying their own business. Multilevel marketing sales people are approached through friends they meet at language school and church. They recruit others they run into on the city streets, in buses, at others’ homes. Some others get the notion of starting business from the Chinese media. The corner store owner, and those selling insurance and bonds learned about the opportunity from the Chinese press.

**Getting capital.** Small scale business requires little capital, can be run by one person, can be set up easily, and dismantled fast. The multi-level marketing sales person spends only a small amount on products herself. Hostel and grocery store owners that require enough capital to buy a house and business make the largest output. Even here, hostels are minimalistic organizations run as a micro enterprise.

They look to their close associates for start-up capital. Several got the small amounts of money needed from family and kin, and their own savings and earnings. None got capital from other members of their wider ethnic group in the forms of ethnic loans. Instead all turned outside their small family circle to involve formal organizations. The hostel owners got bank mortgages. With his British MBA, Hong qualified for a government loan to small businesses.

**Finding coworkers and customers.** The majority depended on members of their ethnic group for clients and employees. Multi-level marketers look for networks and recruit others into their activities as subordinate agents. All our multi-level marketers use the enclave to build a network of customers and agents. The enclave identity carries trust, and even new weak ties provide a growing customer base. The multilevel marketer earns a living from having a large base of coworkers. Hence, for this line of work, customers become coworkers.

Brokers similarly find customers from the ethnic community. To widen the network past their friends, they advertise in the Chinese press. Participation in the Chinese church and three
Chinese associations of business people and landsmanshaften announce their wares and spread their names. Hong, whose business requires competence, capital, and a network of suppliers and customers, got this network from the previous Chinese owner. Taking over an existing business makes it possible to take over the network of the business (Gabbay & Leenders, 1999). Only the computer programmer, and salesman of Greek construction materials, sold outside the ethnic group.

To succeed, they had to be extremely sociable and widen their networks. They got their contacts from locations of others like them, in the same life cycle and cultural stage (Feld, 1982). Participation in ethnic associations gave them legitimacy. Even the strangers they approached were looking for friends, and were attracted to those they recognized as like them. Few rebuffed their outreaches.

Not all their products were ethnic. Nevertheless, they used cultural arguments to recruit others to the marketing world. Drawing on taken for granted cultural frameworks, they deliberately connected to their ethnic group members. A range of culturally specific attitudes attracted clients. Cosmetics improved their friends’ health. To win subordinates, they demonstrated concern for their friends’ lack of employment, and the sad nature of their finances. They build up their own self respect by appealing to the culture of the enclave.

Jun just completed her training in selling insurance, and is now self employed. “I talk to my friends. Many of them buy the concept that insurance is important in a developed country, as a guarantee developed country as a guarantee of a quality life. For example if someone bought a house and suddenly lost his job or had unexpected expenses, the bank would take back the house no matter how much mortgage had been already paid. Insurance not only helps directly but also indirectly by giving credit to the person so that s/he could easily borrow money from the bank. New immigrants don’t have relatives or friends that they had in China. It’s not easy just to borrow money from them like they do in China. I have a sister who can borrow money from me but not many have this kind of strong relationship here. And new immigrants are usually not that rich either. So insurance can help in the long run.” She declared, “I chose this job not only because it’s a job, but also I think it indeed is a great help to the new Chinese immigrants. Everybody needs insurance. Everybody should get insurance.”
Mei does the most outreach in our sample. To show her nonsectarian nature, Mei recruits Koreans and other Asians, who could appeal to their ethnic members. Nevertheless, fellow Main-landers are clearly the main target. Mei’s downline has developed to 300 mainly coethnics. She engages in large community mobilizations. She holds seminars regularly. She organizes meetings and rallies to recruit, and to give feedback to her supporters, on whom she depends for her own income. Her downlines bring their friends as potential members.

We attended one meeting in a Japanese cultural centre. Mei and another speaker addressed an audience of 100 Chinese men and women in Mandarin. They spiked their talks with vignettes that linked their products to their Chinese heritage. They stated that doing sales was a self help means to favour the ethnic group. New immigrants that needed jobs should jump on the bandwagon. They recognized the worry that their product would lose favour. To counter that fear, they presented their products as constantly innovating so to remain in the forefront.

The whole Toronto group evolved from a couple of seed persons. Those who earn the most in the shortest time see their names published in the monthly company newsletter. The top distributors know each other and jointly hold seminars. There seems to be little competition, since each member only has two downlines and do not need to recruit as many as other companies. They do better at the beginning, when they identify a need that is not met.

**Profits.** For most, businesses in the enclave are desperate moves. Those that create such small businesses do so out of emergency more than a preferred activity. This is seen in the small scale of their enterprises. However those that attach their human capital to new networks have been able to grow. Hong, the corner store proprietor and Mei, who attained a mid-level in the multilevel marketing enterprise have made the most profits.

The lack of Mainland Chinese entrepreneurs and fast growing immigrant community places their small business services at a premium. Those that turned to the financial sector early on were a minority in the Mandarin speaking community in Toronto. Recruited by newspaper ads, they since have been joined by others. With the market currently turning down, none earn as much as at the outset. Nor do they currently enjoy a monopoly in their ethnic group. Similarly the multilevel marketers may soon be saturating their market for cosmetics. Whether small scale business can pay off is debatable. Nevertheless, facing the same limited opportunity structures, newcomers are continuously recruited into self help business.
Conclusion: Ethnic Businesses That Use Ethnic Enclaves

Social capital is a crucial resource for entrepreneurship. Ethnicity is the glue for the start-up enterprises of new PRC immigrants. Ethnicity provides social capital to most of these enterprises. They do not draw on all the features of the enclave. Few got funding through their ethnic group associations. Few sell ethnic products and services. They do not live in a circumscribed ethnic ghetto. But their coworkers and clients are a central social resource. They chiefly draw support in their work from the scattered members of the social group that comes from far and wide, the educated elite of the Chinese immigrant community. Drawing on recognition in the community, making affiliations with the ethnic group, they appeal to other new immigrants.

Initially scattered immigrants, the new PRC immigrants are reaching out to others. Business enterprises are one means to help themselves earn a living by drawing on what they have, their ethnicity. However, by doing so at the same time they are building a more coherent ethnic community. Even if individual businesses do not survive, they contribute to mobilizing social capital at the wider community level. Ethnic businesses may contribute a meaningful part to community building.

REFERENCES


